Prepared Statement of Spencer Abraham
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Before the
House Committee on Appropriations
Subcommittee on Interior and Related Agencies
Concerning the
FY 2002 Department of Energy Budget Request

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Introduction

Mr. Chairman and members of the Subcommittee, it is a pleasure to appear before you for the first time to discuss the Department of Energy's FY 2002 budget request. The Department's total budget request for all appropriations is $19.2 billion. This amount is $456.4 million, or 2.3 percent, below the FY 2001 level and $1.4 billion above the FY 2000 level. Of the total budget, $1.6 billion is for programs within the jurisdiction of this Subcommittee.

This budget is a prudent transition between what was left to us by the previous Administration and our policy priorities in the budgets for 2003 and beyond. In the limited time given us to formulate this budget, we turned its focus as much as we could toward our ultimate goal of major DOE reform. We also initiated a broad range of strategic and policy reviews that will fully shape future budgets. As a result, this budget begins reform in some important program areas. Make no mistake, more change is coming. Some may fault this approach, saying it changes too much or too little. But I believe this is the right budget for this year; it's a responsible start to change the course of business at the Department.

Principles Guiding the FY 2002 Department of Energy Budget

This budget is a principled and responsible effort, one that keeps President Bush's commitment to control the growth in discretionary spending, while meeting critical requirements in national security, energy, science, and environmental quality. This budget adjusts program requests to reflect reviews underway to reevaluate and refine the Department's missions, and to implement management strategies that meet the challenges of the future. Based on this request, the Department will:

- Enhance complex-wide safeguards and security efforts
- Eliminate programs that have completed their mission, are redundant, ineffective, or obsolete
- Review all private-sector subsidies and maximize cost-sharing opportunities
- Finish promising R&D projects where investment installments are nearly complete
- Establish baselines and improve accountability for project and capital asset management
- Arrest deterioration of infrastructure through stronger management of maintenance

- Utilize computer information systems to improve management and promote efficient use of resources
- Eliminate unnecessary layers of management, and direct personnel to high-priority missions
- Achieve savings in management expenses through comprehensive, creative management reform
- Recognize and respect Congressional policy determinations for operating the DOE complex.

This budget also maintains the Administration's flexibility to respond to government-wide policy reviews now underway. Vice-President Cheney's National Energy Policy Development Group, figures heavily in the Department's current budget and its future year planning. Pending future decisions, the budget preserves program options by maintaining core requirements in areas under review, unless a change was dictated by a Presidential commitment. We stand ready to work with you and the other Members of this Subcommittee as recommendations are made.

Interior and Related Agencies Appropriation Budget Request

Approximately eight percent of the total Department of Energy budget, or $1.6 billion, is for programs funded in the Interior and Related Agencies Appropriation under the jurisdiction of this Subcommittee.

The $1.6 billion is $10.7 million, or 0.7 percent, below the FY 2001 level and $384.3 million above the FY 2000 level. Programs include Fossil Energy Research and Development, $449.0 million; the Strategic Petroleum Reserve, $169.0 million; Naval Petroleum and Oil Shale Reserves, $17.4 million; Energy Conservation Research and Development, $795.0 million; Elk Hills School Lands Fund, $36.0 million; Energy Information Administration, $75.5 million; and Economic Regulation, $2.0 million. The programs funded by this Subcommittee play a critical role in the nation's energy future.

The dominant energy issue confronting the Department over the next 20 years is the growing disparity between energy supply and demand. Current events in California serve as a warning to the rest of the nation of the importance of – or lack of – a thoughtful, effective energy policy.

Energy demand is rising across the board, and in particular for natural gas and electricity. At the same time, supplies are increasingly limited by an antiquated regulatory structure that, in many respects, has failed to keep pace with technological advances and societal needs. Our current energy infrastructure is woefully out-of-date and inadequate. This must change.

President Bush committed this Administration to develop and implement a new long-term national energy policy. Vice President Cheney is working with us at the Department to develop clear strategies to allow environmentally responsible exploration and recovery of our domestic resources, enhance conservation and energy efficiency, and encourage new technology investment in renewable energy sources.

Our future budgets will be shaped by the conclusions of this Task Force. We are currently maintaining core competencies, but expect changes. For those who might argue that we should spend more money on existing energy programs, continuing and expanding programs that have been in place as we drifted to the brink of an energy crisis would not appear a wise course to follow. We need a better measure of success than "dollars spent."

Critics have long claimed that DOE programs have produced few results. Wholesale dismissal would be unfair. Many of our energy programs are effective and should be continued. On the other hand, the taxpayers sent us here to weed out the waste and to address growing problems of energy supply. The weeding begins in this budget. But make no mistake, we won't just be downsizing. We intend to rebuild our energy resources programs so they are productive, so taxpayers receive a better value, and the programs deliver results measured against rigorous standards.

Fossil Energy Priorities

The FY 2002 budget for the Fossil Energy program contains two of the three DOE Presidential Initiatives. They are the Clean Coal Power Initiative and the Northeast Home Heating Oil Reserve.

Clean Coal Power Initiative

The FY 2002 budget includes $150 million for the Clean Coal Power Initiative, a high priority effort that reflects the President's commitment to clean coal technology. Coal supplies 54% of the nation's current power demands. Virtually every credible energy forecast shows that coal will continue to supply around half of the nation's power through at least 2020 and probably beyond.

The Bush Administration is proposing a new vision for research in clean coal technology. In setting the direction for new, competitively awarded clean coal research, development and demonstration efforts, greater emphasis will be placed on seeking the advice of industry in shaping the program. We intend to investigate the use of consortia of companies, an industry board, or other mechanisms that can enhance the private sector's participation in planning this initiative.

New clean coal technology efforts will target the power industry's top priorities in solving problems generic to the way coal is used to generate electric power. Industry will be required to share the costs of projects, with the level of private sector financing ranging from 20 percent for the earliest stages of research to at least 50 percent for larger scale demonstrations.

The program will also solicit participation by universities as well as government laboratories in a broad-based effort to apply the best minds and institutions to eliminate barriers to enhanced coal use. Successfully implemented elsewhere in DOE, industry-guided research will choose the most important projects based on industry-defined merit.

Northeast Home Heating Oil Reserve.

The Reserve provides an important 2-million-barrel "safety cushion" for the millions of families in the Northeast that depend on affordable heating oil to stay warm in the winter. Currently, one million barrels are stored in New York Harbor and one million barrels are stored in New Haven, Connecticut. Three companies -- Amerada Hess Corp., Morgan Stanley Capital Group, and Equiva Trading Company -- store the oil at their terminals, rotate the oil to maintain DOE specifications, and manage the delivery of the heating oil in the event of an approved use of the reserve.

On March 6, 2001, I signed letters notifying Congress of the Administration's intent to establish the heating oil reserve on a permanent basis. DOE intends to exercise the optional 1-year extension clause in its current contracts for storage of the emergency heating oil.

The FY 2002 budget continues operation of the Reserve with support for leasing commercial storage space, quality assurance, auditing, oil sampling and inspections.

Overall Fossil Energy Research and Development Budget

Our budget request for Fossil Energy R&D is $449.0 million. Fossil fuels – coal, oil and natural gas – supply 85 percent of the nation's total energy, nearly three-fourths of its electricity, and almost 100% of its transportation fuels. The President's energy policy task force is examining a wide range of options to achieve the full potential of these fuels while safeguarding our environment. Recognizing this, our FY 2002 budget strikes a balance by focusing primarily on those areas where federal involvement is most critical.

Fuels and Power R&D. Within the $159.8 million budget request, we have concentrated our efforts on research that will:

- directly support the Clean Coal Power Initiative, both immediately and over the 10-year life of the President's clean coal commitment,

- provide new, more reliable power systems for the joint Fossil Energy/Energy Efficiency effort to develop distributed energy resource technologies (for the localized generation and use of power), and

- expand the menu of options for managing carbon gases by developing affordable carbon sequestration technologies.

Emission Controls for Existing Plants. America has made remarkable progress in cleaning its air due largely to new technology. Coal use, for example, has doubled since the early 1970's but emissions of sulfur and nitrogen pollutants are down 70 percent and 45 percent, respectively. Yet, further challenges remain, especially in addressing emissions concerns and microscopic airborne particles. There may be opportunity for innovative, low cost technologies that address two or more pollutants simultaneously.

The Fossil Energy program is developing technologies that are intended to achieve future emission limits at costs far below what industry would pass on to consumers using today's technology. This is particularly important as support grows for an integrated emission reduction strategy that would sharply reduce key pollutants in exchange for long-term regulatory certainty.

Our FY 2002 budget contains $18 million for these efforts. This is a slight decrease from the FY 2001 level of $20.1 million reflecting the elimination of a program aimed at optimizing performance of coal-fired power plants in other countries.

Vision 21. Vision 21 is the core of our long-range power research program. It draws from several budget areas, including: gasification combined cycle, pressurized fluidized bed combustion, fuel cells, and advanced research (the latter involving new materials research and advancements in supercomputing modeling and simulation).

Through this program, we believe it is possible to develop a new type of power facility that will virtually eliminate environmental concerns over the future use of fossil fuels.

A Vision 21 plant would be fueled by coal, or natural gas, or perhaps biomass or municipal waste. It would emit virtually none of today's air pollutants and produce no harmful solid or liquid wastes. This extraordinary achievement could ensure that America – and other countries – benefit from the full potential of their available energy resources without compromising environmental goals. A complete Vision 21 prototype is 10 to 15 years into the future, but many of the critical technology modules are already taking shape, and some are likely to be adopted by industry in the next few years.

In FY 2002, we propose to fund Vision 21-related efforts at $37.5 million. The request is about $14 million below the FY 2001 budget due primarily to completion of advanced turbine systems research and the redirection of funds from the indirectly-fired cycle program (this combustion technology is being refocused toward developing combustion/gasification hybrid systems under the Integrated Gasification Combined Cycle budget).

Carbon Sequestration. The Administration recognizes the importance of continuing to develop lower cost options for reducing the buildup of greenhouse gases. Voluntary emission reductions, for example, could become much more attractive if low-cost carbon management options result in commercial benefits – for example, injecting carbon dioxide from power plants into oil fields or coal seams to produce marketable crude oil or natural gas. If more emission reductions are needed in the future, research must be conducted now so that lower cost sequestration options are available. In FY 2002, we propose to increase funding for carbon sequestration research to $20.7 million, a 10 percent increase that will enable the first limited field tests for the most promising approaches.

Fuel Cells. Our research into fuel cells focuses on lower-cost, high performance units that can provide localized power supplies for factories, hospitals, military installations, and other distributed power applications. (The complementary program underway in the Office of Energy Efficiency is developing fuel cells for vehicular and home use.) At modular scales of 5-kilowatts

to 1-megawatt or more, the advanced fuel cells we are developing could be in growing demand as businesses and factories look for more reliable ways to generate premium-quality electric power onsite.

A high priority in this program will be to begin completing efforts that represent more than 20 years of development and are within 1 to 2 years of achieving their objectives. We will also allocate a smaller portion of the budget to the much longer-range future of fuel cells. The focus will be to co-fund competitively selected industrial teams that will develop new types of all-solid-state fuel cells that can break through the cost barrier currently limiting widespread market acceptance.

The FY 2002 budget request for fuel cells is $45.1 million, a decrease of $7.5 million from the FY 2001 level that reflects a shift from generic research to the development of a low cost five-kilowatt solid state fuel cell.

Fuels R&D. In FY 2002, the $7.0 million budget request will support research to reduce the cost and broaden the range of feedstocks that can be processed into clean transportation fuels suitable for tomorrow's high-fuel-efficiency vehicles. Funding is requested for the continued development of improved ceramic membranes for producing synthesis gas that can be chemically recombined into a variety of clean liquid fuels. A small portion of this budget will also be used to support a university-industry consortium that is developing ways to use coal to produce high-value carbon products.

The Department does not propose to continue funding for developing new fuel processing approaches for producing ultra low-sulfur diesel and gasoline. The President has decided not to relax the requirements for cleaner automotive fuels. Industry now understands the need to meet the new standards, and this will create an incentive for private sector research into cleaner fuels.

Petroleum and Natural Gas R&D. The United States has experienced a decline in its domestic oil production for most of the past 30 years, yet huge quantities of crude oil remain. In fact, nearly two-thirds of all the oil found in the history of the U.S. remains unproduced, and much of it is beyond the capabilities of today's petroleum industry. There is the need for access to better technology and for validating that improved technologies will perform as expected.

These smaller companies now account for 40 percent of the oil produced in the United States and almost two-thirds of the natural gas. They account for 85 percent of new domestic drilling. The Department will continue to fund efforts that will encourage these smaller domestic producers to adopt optimum technologies that can find and produce oil and natural gas that might otherwise be left in the ground.

The overall funding for Petroleum & Natural Gas R&D reflects a significant decline compared to the current level of effort. This will require the program to be reoriented toward three primary objectives:

- A concentrated effort to transfer improved technologies and "best practices" to the nation's smaller independent firms in the very near-term – the next 1 to 5 years – and to lower the

cost of environmental protection through a combination of risk assessments, technology development, regulatory streamlining, impact analysis, and improved federal-state-local coordination;

- Much longer-term research -- 10 or 15 years into the future -- to develop technologies that could locate and produce oil and gas that are beyond the reach of current technologies or those that industry is developing; and

- Efforts to enhance the reliability and deliverability of the Nation's natural gas pipelines and gas storage facilities.

The FY 2002 request for Petroleum and Natural Gas R&D is $51.5 million.

Other Fossil Energy R&D. Among the other Fossil Energy research and development efforts in the FY 2002 budget are (1) $5.2 million to continue advanced metallurgical activities at the Albany (OR) Research Center, including efforts that are helping to develop better materials for the *Vision 21* concept, and to study new carbon sequestration approaches; (2) $9.5 million for corrective actions at Fossil Energy R&D facilities to meet environmental, health and safety requirements and for other locations where environmental remediation is necessary; and (3) $1.0 million for regulatory activities involving natural gas imports and exports, exports of electricity, and authorizing Presidential permit applications from the private sector for constructing and operating electric transmission lines that cross U.S. borders with Mexico and Canada.

Petroleum Reserves

Strategic Petroleum Reserve. The Strategic Petroleum Reserve provides the United States with strategic and economic protection against disruptions in oil supplies. The FY 2002 budget request of $169.0 million will maintain the Reserve's readiness to respond to a Presidential directive in the event of an energy emergency. During FY 2001, the inventory of 561 million barrels will provide 53 days of net import protection. By FY 2002, with the receipt of crude oil returned in the 2000 exchange initiative and all royalty-in-kind oil, the Reserve inventory is projected to grow to more than 591 million, its historical highest level. Even with the increase in inventory, the days of import protection are projected to increase only slightly, to 55 days, because of the continuing rise in oil imports.

Recently, the Energy Department renegotiated the delivery dates for 23.8 million of the 30 million barrels of crude oil released in last year's exchange initiative. Under the original agreements, companies would return 31.35 million barrels later this year – the additional 1.35 million representing a premium in returning for obtaining crude oil when inventories were tight last year. Now, under the renegotiated contracts, which defer deliveries until December 2001 through January 2003, the Strategic Reserve will be replenished with 33.54 million barrels – 2.4 million more than originally anticipated. It may also be possible that delivery dates will be renegotiated for at least some of the oil currently scheduled to be returned this year, further adding to the emergency crude oil inventory at no additional cost to the taxpayer.

In FY 2002, $3.0 million is included in the budget request to begin dealing with a recurrence of gas buildup in the Reserve's crude oil.

Naval Petroleum Reserves. The $17.4 million budget request will permit continued operations of the NPR-3 (Teapot Dome) stripper well field in Wyoming and activities associated with the co-located Rocky Mountain Oilfield Testing Center.

Elk Hills School Lands Fund. The National Defense Authorization Act for Fiscal Year 1996, Public Law 104-106, authorized the settlement of longstanding "school lands" claims to certain Elk Hills lands by the State of California. The Settlement Agreement between the Department and the State, dated October 11, 1996, provides for payment of nine percent of the net sales proceeds generated from the divestment of the government's interest in Elk Hills, subject to the appropriation of funds. Under the terms of the Act, a contingency fund containing nine percent of the net proceeds of sale has been established in the U.S. Treasury and is reserved for payment to the State, subject to the appropriation of funds.

The first installment payment was appropriated in FY 1999. No appropriation was provided in FY 2000, and the FY 2000 Interior and Related Agencies Appropriations Act provided an advance appropriation of $36.0 million to become available in FY 2001.

The FY 2001 Interior and Related Agencies Appropriations Act provided an advance appropriation of $36 million to become available in FY 2002 that, consistent with the budgetary treatment of other advance appropriations in the budget, would not be counted as discretionary funding for FY 2002 but would still be available next year. The FY 2002 budget requests $36.0 million in additional new budget authority for FY 2002. Thus, the budget proposes that a total of $72.0 million be available for this purpose in FY 2002.

Energy Conservation Priorities

The FY 2002 budget for the Office of Energy Efficiency and Renewable Energy (EERE) incorporates: concern for our low-income citizens – we have doubled our Weatherization Assistance Program; improved energy security – we are refocusing our transportation programs, particularly the Partnership for a New Generation of Vehicle; and energy reliability – ensuring grid reliability and advancing small-scale, on-site power generation through Distributed Energy Resource programs. This budget redirects our energy efficiency resources to benefit consumers, with emphasis on those least able to afford the high cost of energy. To do this, cuts are made to programs where industry and others can step in – sharing costs or pursuing research independently.

Weatherization Grants

Household energy needs consume a disproportionate share of expenses in low-income households. The Department's Weatherization Assistance Program reduces the heating and cooling costs for low-income families – particularly households that include the elderly, persons with disabilities, and children. To help correct the heavy energy burden faced by low-income

Americans, the Administration proposes to increase the Weatherization Assistance Program in FY 2002 to $273.0 million, an increase of $120.3 million above current levels.

The funding level of $273.0 million will weatherize approximately 123,000 low-income homes plus 108,000 additional homes with other leveraged Federal resources, such as Low Income Home Energy Assistant Program funds, and State and Utility funds, saving $2.10 in energy costs for every dollar invested over the life of the energy efficiency measures. In order to ensure the necessary expansion of the Weatherization network's production capacity, enabling it to deliver services to many more low-income households over the ten-year period beginning in FY 2002, the program will work with the stakeholders to ensure investment in such essential elements as equipment and training for additional crews, and to test improved implementation approaches for the Weatherization Program. This year's budget marks the beginning of a 10-year commitment to increase funding for the Weatherization Assistance Program by $1.4 billion.

Transportation Programs

The Partnership for a New Generation of Vehicles (PNGV) program involves companies in my native State of Michigan, and I supported it when I was a Senator. While developing the FY 2002 budget, together with our automotive partners, we reviewed PNGV and agreed the program needed to be redesigned toward solving today's problems.

The current popularity of the sports utility vehicle raised questions about one of the basic premises under which the PNGV program was initiated. When PNGV began in 1993, it was directed at building only one type of automobile – the mid-sized sedan. Today, we believe greater benefit could be achieved by developing energy-efficient components that can be adapted for use in several models throughout our fleet of vehicles. That is principally why in the FY 2002 budget we are reformulating and streamlining the PNGV program – to make it more flexible for automakers, of greater benefit to the taxpayer, and more realistic in the face of today's diverse challenges.

A *new* PNGV approach can help Detroit with promising, longer-term technologies that will produce a range of cleaner, more efficient vehicles. The Administration will offer a budget amendment to support this new PNGV program at $100 million.

The 21st Century Truck Program is a relatively new multi-agency partnership with sixteen companies from the truck manufacturing and supplier industries and is aimed at developing technologies needed to produce trucks and buses with higher fuel economy, reduced emissions, and improved safety. The Department of Energy has been a leader in planning and research related to this effort. The partnership is proceeding well, with over 65 scientists and engineers from industry and government having completed an extensive technical plan that will guide the development and implementation of this program. Our FY 2002 budget contains $70.6 million for this program.

Distributed Energy Resources

Over the next two decades, industrial, commercial, institutional and residential customers will be able to choose from a diverse array of ultra-high efficiency, ultra-low emission, fuel flexible, and

cost-competitive distributed energy resource products and services. These will be interconnected into the nation's infrastructure for electricity, natural gas, and renewable energy resources. Distributed Energy Resources – the localized generation and use of power – can greatly enhance reliability and power quality and provide a strategic alternative to new transmission lines as we replace the aging electricity and natural gas infrastructure in the United States. This is critical to new industry growth, including the high technology e-commerce needs for up to 100 times the power density and 10,000 times the power quality and reliability requirements of standard buildings. The Distributed Energy Resources program, which is shared with the Office of Fossil Energy, supports research and development on thermal, electrical, and mechanical power technologies and provides crosscutting assistance to the commercial, residential (rural and urban), utility, and industrial sectors.

The programs called for in this budget address many challenges that today inhibit the widespread adoption of distributed energy resources. System related barriers include limitations in efficiency, emissions and cost problems, and systems that are not flexible for remote control, smart control, and system optimization. Near-term market and institutional barriers include a lack of interconnection standards, lack of new technology building and fire codes, and a need for consistent siting and permitting rules. Energy Efficiency program funding for this activity remains constant at $47.3 million.

Overall Energy Efficiency Budget Request

The Energy Efficiency programs funded by this Subcommittee work to reduce energy use in buildings, in the industrial sector, by vehicles, in power generation, and in federal facilities – all while increasing long-term economic growth. The FY 2002 budget requests $795.0 million for the Department's Energy Conservation programs. Shortly, a budget amendment will be forwarded by the Administration to reflect proposed changes in the Partnership for a New Generation Vehicle (PNGV).

Building Efficiency Improvements. In the U.S., buildings account for more than one-third of the annual energy consumption and use two-thirds of all electricity generated. Americans spend approximately $240.0 billion per year to heat, cool, light, and run equipment and appliances in residential and commercial buildings. The Office of Building Technology, State, and Community Programs, in partnership with industry, develops, promotes, and integrates energy technologies and practices to make buildings more efficient and affordable. Our FY 2002 budget request is $367.1 million and contains funds for Buildings Research and Standards, $30.6 million; Building Technology Assistance, $321.5 million, including the Weatherization Assistance Program at $273.0 million and the State Energy Program at $38.0 million; the Community Energy Program, $8.5 million; and the Energy Star Program, $2.0 million.

Improving Our Transportation Efficiency. Transportation today accounts for 67 percent of the nation's oil use, and our vehicles remain 95 percent dependent on a single fuel – petroleum. Transportation's need for oil has brought our country to the point that it uses 4.7 million more barrels of oil per day – just for cars and trucks – than it produces. Imports, which account for more than 52 percent of our consumption, are at an all-time high and currently add an estimated $100 million per year to our balance of payments deficit. Working with partners in industry,

research organizations, State governments, and other Federal agencies, the Department's Office of Transportation Technologies programs support research, development, and deployment programs which will reduce oil consumption by achieving: 1) significant improvements in vehicle fuel economy; and 2) displacement of oil by other fuels which are domestic, clean, and cost-competitive. For our transportation programs, we are requesting $239.4 million in FY 2002. Programs include Vehicle Technologies R&D, $154.1 million; Fuels Utilization R&D, $23.5 million; Materials Technologies, $41.3 million; and Technology Deployment, $10.2 million.

Industrial Technologies. Industry today accounts for 38 percent of all U.S. energy use. Moreover, just nine industries B agriculture, aluminum, chemicals, forest products, glass, metal casting, mining, and steel B account for 27 percent of all U.S. energy use. These industries ship $1 trillion in products annually, employ over 3 million people, and generate four additional jobs in the economy for each manufacturing job. The Office of Industrial Technologies partners with key energy-intensive industries to develop and apply advanced technologies and practices that reduce energy consumption, maintain and create jobs, boost productivity, and significantly improve the competitiveness of the United States. In FY 2002, we are requesting $46.4 million for Industries of the Future (specific); $31.9 million for Industries of the Future (crosscutting); and $9.4 million for management and planning. The FY 2002 request for Industry programs reflects a shift to areas with greater potential for industry participation.

Federal Energy Management (FEMP). As the nation's largest energy consumer, the Federal government can lead the nation in becoming a cleaner, more efficient energy consumer. In 1999, the Federal government spent almost $8 billion to provide energy to its buildings, vehicles, and operations. Over 40 percent of the government's energy bill is spent on heating, cooling, and powering its 500,000 buildings. The Office of Federal Energy Management Programs reduces Federal energy costs by advancing energy efficiency and water conservation, promoting the use of renewable energy, and managing utility costs in Federal facilities and operations, including those of the Department of Energy. The FEMP program facilitates alternative financing, bringing private resources to bear on the up-front investment needed to make efficiency and conservation improvements at federal facilities. The program also provides technical assistance to help federal facility managers better address their energy needs. In FY 2002, we are requesting $13.3 million for FEMP.

Energy Information Administration (EIA)

For the Energy Information Administration (EIA), we are requesting $75.5 million for ongoing data and analysis activities and critical data quality enhancements. EIA's base program includes the maintenance of a comprehensive energy database; the dissemination of energy data and analyses to a wide variety of customers in the public and private sectors; the maintenance of the National Energy Modeling System for mid-term energy markets analysis and forecasting; and the maintenance of the Short-Term Integrated Forecasting System for near-term energy market analysis and forecasting

In FY 2002, EIA will focus on three multi-year initiatives. They are: 1) redesigning the 20-year old energy consumption surveys to update the survey frames, sampling design, and data systems, and realign them with the information on residential and commercial buildings populations

resulting from the 2000 census; 2) revising EIA's natural gas and electricity surveys and data systems to reflect changes in these restructured energy industries; and 3) addressing critical petroleum and natural gas data quality issues to facilitate EIA's ability to collect and disseminate reliable and accurate energy data needed to assist the Administration and Congress in making informed energy policy decisions.

Economic Regulation

The FY 2002 budget request of $2.0 million is for refund application processing and for related activities arising from the regulatory program initiated under the Emergency Petroleum Allocation Act of 1973. Excess funds from refund processing are transferred to the Treasury.

Conclusion

Mr. Chairman, and members of the Subcommittee, that concludes my prepared statement. I will be glad to answer any questions you may have at this time.